EXCISE

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Department of State

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ACTION XMB-04

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 ACDA-12 IMR-10
IO-14 L-03 EB-08 NRC-05 OES-09 SOE-02 DOE-15
SS-15 SP-02 CEQ-01 PM-05 SAS-02 DOEE-00 COME-00
AID-05 STR-07 TRSE-00 /130 W
----------061026 0809252 /10
O 080900Z DEC 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 4998

C O N F I D E N T I A L SECTION 01 OF 02 SEOUL 11018

PASS US EXIMBANK

PASS DOE

E.O. 12065: GDS (TSTAVE) OR-C
TAGS: BENC, ENRG, ETRD, KS
SUBJECT: PRELIMINARY COMMITMENT NO. 78-0-4266, KOREA NUCLEAR UNITS 7 AND 8

REF: (A) SEOUL 10713; (B) STATE 302489; (C) STATE 304437

1. EMBOFF VISITED KECO EXECUTIVE VICE PRES SUNG ON DECEMBER 7 IN ORDER TO VERIFY INFORMATION DEVELOPED BY U.S. BIDDERS. [b-1, b-4 Eb] HE WAS UNABLE TO JUDGE RELATIVE NEW PRICE STANDINGS BECAUSE OF ALL THE VARIABLES THAT MUST BE CONSIDERED. ALL OF THE REBIDS HAVE BEEN SENT TO BECHTEL'S LOS ANGELES OFFICE FOR ANALYSIS AND EVALUATION. MR. SUNG JUDGED THAT THE PRINTOUTS WOULD BE RETURNED ABOUT DECEMBER 23, AND RANKING OF BIDDERS WOULD BE AFTER THE NEW YEAR PERIOD.

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2. [

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b-4
b-1 (Eb)

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [redacted] DATE 5/21/82
PORTIONS DENIED AS INDICATED

E-4

3. EMBOFF NOTED THAT AN EXPORT CREDIT CONCENSUS ARRANGEMENT REQUIRES THAT MEMBER COUNTRIES INFORM EACH OTHER OF THE FINANCIAL TERMS THEY ARE OFFERING ON SUCH BIDS IN THE INTERESTS OF FAIRNESS, AND SUNG REPLIED THAT HE WAS FULLY AWARE OF THAT. EMBOFF HYPOTHESIZED CIRCUMSTANCES IN WHICH IT MIGHT TURN OUT THAT THE OTHER COUNTRIES HAD (AGAIN) TAKEN ADVANTAGE OF USG NOTIFICATION AND ONLY THE INTEREST RATE HAD PREVENTED U.S. SUPPLIERS FROM WINNING, AND ASKED WHETHER KECO WOULD ALLOW THE BANK OPPORTUNITY TO MATCH
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THEM. SUNG NODDED.

4. SUNG THEN VOLUNTEERED THAT KECO FINDS THE PROPOSALS CONTAINED REFTELS (B) AND (C) STILL UNSATISFACTORY. HE SAID THAT HE IS PERSONALLY WORRIED THAT THIS SECOND ISSUE WILL UPSET HIS DEEP DESIRE TO OBTAIN U.S. EQUIPMENT BECAUSE KECO CANNOT REPEAT NOT WAIT FOR RENEGATIATION AND HAS NO CONCERN FOR BECOMING A PLOY IN A USG AND ROKG ISSUE. IT CANNOT PRESSURE THE ROKG AND IS CONCERNED SOLELY WITH BEING CERTAIN THAT THE FUEL IS AVAILABLE BEFORE IT

CONTRACTS. HE REPORTED THAT KECO HAS OBTAINED ASSIGNMENT AGREEMENTS FROM THE COMPANIES AND HAS A BUDGE, ETC., BUT IT CANNOT REPEAT NOT FINALIZE THEM BECAUSE OF THE UNCERTAINTY. HE RECALLED VISITING WASH DC WITH MER CHANG YIE JOON AND POINTING OUT TO AMBASSADOR-AT-LARGE SMITH AND MR. NYE THAT THERE MUST BE MARGINS TO ALLOW FOR DIFFERING STANDARDS AMONG SUPPLIERS. HE STATED THAT KECO HAS ITSELF CONTRACTED 1,000 MWE FOR A 900 MWE UNIT BECAUSE OF MEASURING DIFFERENCES. HE SAID THAT THE 114 MWE AT STAKE "IS PEANUTS" ON TOP OF 5,000 MWE'S AND ASKED WHY THE USG COULD NOT REPEAT NOT SIMPLY AMEND THE PRESENT AGREEMENT FOR THAT AMOUNT, OR SIMPLY REGARD A 3 PERCENT "MARGIN" ON THE 5,000 MWE AS A REASONABLE ALLOWANCE FOR DIFFERING MEASUREMENTS.

5. [

b-4

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6. EMBASSY COMMENT: EMBOFF IS UNABLE TO WEIGH THE SIGNIFICANCE OF SUNG'S WORDS "AT THIS MOMENT" IN PARA 2 ABOVE.

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C O N F I D E N T I A L SECTION 02 OF 02 SEOUL 11018

PASS US EXIMBANK

PASS DOE

HOWEVER, IT IS CLEAR THAT KECO'S DESIRE FOR A U.S. WIN IS SINCERE AND CONSISTENT. WESTINGHOUSE REP HAS EXPRESSED BELIEF THAT THE EXCHANGE RISK FACT, WHICH WILL HAVE TO BE CONSIDERED AT SOME POINT, IS SOMETHING THAT PRESIDENT KIM CAN USE AS HE WISHES. HOWEVER, KECO WILL STAKE THE DECISION SOLELY ON ECONOMIC GROUNDS. SHOULD PAST PATTERNS BE SUCH DECISIONS PREVAIL, IT MIGHT BE ANTICIPATED THAT PRESIDENT KIM WILL RECEIVE INTERNAL FINANCIAL ANALYSES, RATIFY KECO'S CONCLUSIONS, THEN CALL ON THE PRESIDENT, WHO WILL ENDORSE KIM'S FINANCIALLY JUSTIFIED RECOMMENDATION. FOLLOWING THAT AN ECONOMIC CABINET MEETING WILL BE HELD AT WHICH ALL PRESENT WILL HEAR KIM'S BRIEFING AND INEVITABLY APPROVE HIS DECISION. ONE NEED ONLY RECALL THE SELECTION OF GEC TURBINE GENERATORS FOR KORI 5 AND 6, EVEN AFTER THAT FIRM'S TECHNICAL FIASCO WITH ITS KORI 1 EQUIPMENT, TO REALIZE HOW DETERMINING THE FINANCING AND CERTAINTY OF FUEL SUPPLY WILL BE TO THE SELECTION OF FIRST NEGOTIATORS FOR THIS CRITICALLY IMPORTANT PROJECT.

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7. SUBSEQUENT TO PREPARATION OF ABOVE, SUNG CALLED AND MET WITH ECON/COM COUNSELOR. HE TOLD US HE REPORTED

ABOVE CONVERSATION TO PRESIDENT KIM WHO INSTRUCTED HIM TO TELL US THAT ANSWER TO HIS TELEX SEEKING CLARIFICATION ON CONDITIONS OF IMPROVED EXIMBANK TERMS IS MOST URGENT AND THAT INTERPRETATION THAT IT CAN BE APPLIED TO COMPONENT PARTS OF PROJECT CRITICAL TO EVALUATION PROCESS AND CHANCES OF AMERICAN SUPPLIERS. RE 15 YEAR/8 PERCENT TERMS PRESIDENT KIM APPRECIATES EXIMBANK'S EFFORTS AND, ACCORDING TO SUNG, HAS NO REAL EXPECTATIONS THAT THEY CAN BE IMPROVED. SUNG'S ANSWER RE KIM'S VIEWS ON FUEL SUPPLY ASSURANCE, THOUGH NOT DIRECT, LEFT LITTLE DOUBT THAT KIM ALSO CONSIDERS IT UNSATISFACTORY SINCE HE DOES NOT EXPECT THAT ISSUE OR RENEGOTIATION OF AGREEMENT WILL BE RESOLVED SOON. SUNG AGAIN PLEADED THAT SOME WAY BE FOUND WHEREBY 115 MWE FUEL CAPACITY IS NOT HELD HOSTAGE TO RENEGOTIATED AGREEMENT. THIS LATEST CONVERSATION WITH KECO RECONFIRMS US IN OUR JUDGMENT THAT KECO IS NOT ENGAGED IN BARGAINING PLOY BUT STRONGLY DESIRES ABILITY TO JUSTIFY CHOICE OF PREFERRED AMERICAN SUPPLIER. GLEYSTEEN

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